

VOLUME 47, ISSUE 18
ISSUE DATE: **SEPTEMBER 21, 2015**
RULE ADOPTIONS
LAW AND PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
NEW JERSEY STATE BOARD OF ACCOUNTANCY

Adopted Amendments: N.J.A.C. 13:29-1A.3, 3.1, 5.3, 5.4, 6.2, and 6.5

Adopted New Rule: N.J.A.C. 13:29-3.19

Applications for Examination; Education and Experience Requirements; Independence; Code of Professional Conduct; Standards for Peer Reviews and Sponsoring Organizations; Enrollment and Participation; Exemptions; Procedures for a Sponsoring Organization; Credit-Hour Requirements; Continuing Professional Education Programs and Other Sources of Continuing Professional Education Credit

Proposed: October 20, 2014, at 46 N.J.R. 2074(a).

Adopted: April 16, 2015, by the New Jersey State Board of Accountancy, John Dailey, Jr., CPA, President.

Filed: August 18, 2015, as R.2015 d.150, **with non-substantial changes** not requiring additional public notice and comment (see N.J.A.C. 1:30-6.3).

Authority: N.J.S.A. 45:1-15.1, 45:2B-48, 45:2B-49, and 45:2B-68.

Effective Date: September 21, 2015.

Operative Date: July 1, 2017, as to N.J.A.C. 13:29-1A.3.

Expiration Date: April 11, 2018.

Summary of Public Comments and Agency Responses:

The official comment period ended December 19, 2014. In order to ensure compliance with P.L. 2013, c. 259, the comment period was extended through January 4, 2015. The Board of Accountancy (Board) received comments from the following:

1. Dr. James J. Carroll, CPA;
2. Sungsoo Kim, Ph.D., Professor of Accounting and Area Head, Director of Ragone Center for Accounting Excellence, School of Business at Camden, Rutgers University;
3. Kenneth Heaslip, CPA;
4. Ralph Albert Thomas, CGMA, CEO and Executive Director, New Jersey Society of CPAs

(NJCPA); and

5. Mark Holtzman, Chair, Department of Accounting and Taxation, Seton Hall University.

1. COMMENT: One commenter applauded many aspects of the Board's proposal. The commenter believes that flexible standards that eliminate unnecessary barriers to the accounting profession will attract a larger pool of diverse Certified Public Accountant (CPA) candidates to New Jersey. The commenter also understands the importance of maintaining parity with standards in New York State. In addition, the commenter stated that it is important that the Board continue to support high quality graduate and undergraduate accounting education in New Jersey, in order to prepare future candidates to serve in the accounting profession.

RESPONSE: The Board thanks the commenter for its support.

2. COMMENT: One commenter suggests that the Board specify auditing as one of the coursework requirements in N.J.A.C. 13:29-1A.3(b)1. The commenter states that auditing is the reason CPA licenses are issued. The commenter also states that key questions, such as public accountancy as a profession needing licensure, independence, the Code of Professional Conduct, and professional opinions, are covered heavily in an auditing course.

RESPONSE: The Board agrees that candidates sitting for the CPA examination need to have a knowledge and understanding of auditing. The Board, however, believes that requiring at least 24 semester hours in accounting encompasses auditing and it is unnecessary to specify auditing as an educational requirement.

3. COMMENT: One commenter notes that the addition of 24 semester hours in business courses other than accounting will make it more challenging for people with degrees other than accounting or business to obtain a CPA license. The commenter, however, further states "to understand accounting, an understanding of the context in which the accounting is done is necessary. I support the proposed change."

RESPONSE: The Board thanks the commenter for its support. The Board disagrees that the requirement of at least 24 semester hours in business courses (other than accounting courses) will make it more challenging for people with degrees other than accounting or business to obtain a CPA license. The Board is providing greater flexibility for candidates to satisfy the education requirements by allowing candidates to complete the 24 semester hours of accounting and 24 semester hours of business courses outside of a degree program. (see the Response to Comment 4)

4. COMMENT: One commenter believes that a candidate to sit for the CPA examination should be able to take courses outside the baccalaureate degree to obtain the accounting and business credits. The commenter suggests amending the wording in N.J.A.C. 13:29-1A.3(b)1 to delete the word "including."

RESPONSE: The Board agrees with the commenter that a candidate to sit for the CPA exam should be able to take courses outside the baccalaureate degree to obtain the required accounting and business credits. At the time of proposal, it was not the Board's intent for the requirement of at least 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses) to be part of a defined degree program. Therefore, upon adoption, the Board is making a change to N.J.A.C. 13:29-1A.3(b) to delete the word "including" and to include language to make it clear that the 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses) may

be completed outside of a degree program. Additional public notice of this change is not required because it does not change the effect of this rule. The change does not increase the burden on applicants [page=2381] sitting for the CPA examination so as to destroy the value of the original notice. The change potentially allows for more applicants to sit for the CPA examination, while not disqualifying any applicants that were eligible as the rule was proposed.

5. COMMENT: One commenter raised concerns about the proposed amendments to N.J.A.C. 13:29-1A.3(b)2i, ii, and iii because it appears that, under the proposed changes, someone who has not received an undergraduate degree from a business college must get a graduate degree from a business school to become a CPA. The commenter provides as an example, someone who has a BA in history could not just take the missing accounting and business courses and become a CPA unless the person gets a graduate degree from a business school. The commenter states that it does not believe that this was the intention of the original 150-hour law nor that this is required under the Uniform Accountancy Act (UAA). The commenter suggests amending N.J.A.C. 13:29-1A.3(b)2iii to remove the requirement that the person earn a baccalaureate degree from a business school. The commenter believes that such a change will allow an individual to obtain a baccalaureate degree from any college and choose any major while still being required to have the 24 credits in accounting and 24 credits in business courses (other than in accounting courses) in order to be licensed.

RESPONSE: The Board agrees with the commenter that candidates for licensure are not required to obtain a baccalaureate degree from a business school or college of business. The Board did not intend to eliminate the existing option for a candidate for licensure to possess a baccalaureate degree or higher from an educational institution accredited by the Middle States Association of Colleges and Schools, Commission on Higher Education or any other regional accrediting agency with standards that are substantially similar to the standards utilized by the Middle States Association of Colleges and Schools, Commission on Higher Education. Therefore, upon adoption, the Board is making a change to N.J.A.C. 13:29-1A.3(b)2iii to restore that option. Additional public notice of this change is not required because it does not change the effect of this rule. The change does not increase the burden on applicants applying for licensure so as to destroy the value of the original notice. In addition, the Board is changing the rule language to make it clear that the 24 semester hours in accounting and 24 semester hours in business courses may be completed outside of a degree program. (see the Response to Comment 4)

6. COMMENT: One commenter disagreed with the amendments to N.J.A.C. 13:29-1A.3 because the commenter believes that the inclusion of course specificity contradicts the legislative intent of the law. The commenter states that the purpose for the 150-hour law was to enhance the education of CPAs and that the 150-hour law only specifies 54 of the 150 credits. The commenter further believes that by specifying 48 credits to sit for the exam at the 120 credit mark, only six of the 30 remaining credits would be specified. The commenter also states that the 48-credit requirement is equal to an accounting major and this will not leave significant technical requirements for the fifth year, discouraging the need for a meaningful master's degree. The commenter believes that while the purpose of the 150-hour law was to increase the professional skills of CPAs, this regulation will perpetuate the practice that it is more important to add more credits than to build more relevant knowledge. The commenter believes that the proper sequencing of obtaining a CPA is 1. obtain a baccalaureate degree; 2. enter the work force, gain experience, and start on a career path while studying and passing the examination; and 3. matriculate in a graduate program of interest based on the work experience and career path. In addition, the commenter believes that the only benefit of adding course specificity is that it may

discourage people who are not ready from sitting for the examination. The commenter, however, believes that the cost of the examination will influence the decision as to the right time to sit for the examination much more than which courses have been taken.

RESPONSE: The Board believes that the requirement of at least 24 semester hours of accounting courses and 24 semester hours of business courses (other than in accounting) is consistent with the legislative intent of the law and provides candidates with flexibility in selecting specific courses within the general categories of accounting and business. N.J.S.A. 45:2B-49, which specifies the requirements for licensure as certified public accountant, provides that the educational program shall include a concentration in accounting or its equivalent and related professional courses as determined by regulation of the board. The Board believes that the requirement of at least 24 semester hours of accounting and 24 semester hours of business courses (other than in accounting) is consistent with the statute. In addition, the Board believes this new requirement will protect the public by ensuring that CPAs are competent in the practice of accounting.

7. COMMENT: One commenter requested that the Board consider amending N.J.A.C. 13:29-1A.3(b)1 to remove the requirement that applicants have to take 24 credits in business courses (other than accounting courses) in order to sit for the CPA exam at 120 hours. The commenter believes that the 24 credits in business courses (other than accounting courses) are not necessary to pass the exam but should be required for licensure. The commenter also noted that, at its October 20, 2011 meeting, the Board issued a waiver to allow applicants to sit for the exam without any accounting or business courses. The commenter also believes that the new accounting and business course requirements will likely lead to fewer students taking the exam at 120 hours.

RESPONSE: In 2011, the Board granted a temporary waiver of the specific curriculum requirements of N.J.A.C. 13:29-1A.3(b)1 in anticipation of the current rule proposal and to accommodate a perceived problem with the rule that precluded candidates from sitting for the examination. The rule required 60 semester-hours in general courses in subject areas such as English, history, mathematics, and foreign languages, and 60 semester hours in professional courses, including 24 hours in accounting, six hours in business law, six hours in finance, six hours in economics, and 18 hours in related business subjects. The Board replaced the specific curriculum requirements with a requirement of at least 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses) because of its concern that the specific curriculum requirements were overly burdensome and made it more difficult for candidates with baccalaureate degrees to sit for the CPA exam in New Jersey than in neighboring states. The Board believes that its new educational requirements are consistent with the requirements of neighboring states and will protect the public by ensuring that CPAs are competent in the practice of accounting.

8. COMMENT: One commenter recommended that the Board remove the proposed change to N.J.A.C. 13:29-1A.3(b)1 that would require applicants to take at least 24 semester hours in accounting and at least 24 hours in business courses (other than accounting courses) before they can sit for the CPA examination. The commenter states that anecdotal experience indicates that the earlier students take the CPA exam, the more likely that they will be able to ultimately pass it and become CPAs. The commenter further states that students who delay taking the exam often find it difficult to balance exam requirements with their careers and family lives. In addition, the commenter believes that by restricting students from taking sections of the CPA exam early would make it more difficult for many students, especially nontraditional students, to ultimately complete the CPA exam and successfully enter the profession.

RESPONSE: The Board disagrees that requiring at least 24 semester hours in accounting courses and 24 semester hours in business courses (other than accounting courses) will make it more difficult to complete the CPA examination. In addition, the Board is concerned with protecting the public by ensuring that those entering the profession are competent in the practice of accounting, not simply that candidates successfully pass the examination.

9. COMMENT: One commenter suggests further amending N.J.A.C. 13:29-1A.3(b)1, consistent with the Board's proposed language in N.J.A.C. 13:29-1A.3(b)2iii, to include the following:

"The applicant has earned a baccalaureate degree from a business school or college of business which has been granted accreditation by AACSB, ACBSP or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB or the ACBSP or has been granted accreditation from the Middle States Association of Colleges and Schools, Commission on Higher Education or any other regional accrediting agency with standards that are substantially similar to the standards utilized by the Middle States Association of Colleges and Schools, Commission on Higher Education."

[page=2382] RESPONSE: The Board agrees with the commenter's suggestion. The Board believes that it is incongruous to require accreditation for the baccalaureate degree, which is required for licensure, but not to sit for the examination. Such an inconsistency would potentially lead to applicants being able to sit for the examination and then being advised that they are not eligible for licensure because their baccalaureate degree was not from an acceptable accredited education institution or program. Therefore, upon adoption, the Board is making a change to N.J.A.C. 13:29-1A.3(b)1 to specify the same accreditation requirements found in existing N.J.A.C. 13:29-1A.3(b)2iii and iv. Additional public notice of this change is not required because it does not prejudice the educational institutions in New Jersey nor the candidates applying to sit for the examination. In New Jersey, all education institutions that confer degrees are accredited by the Middle States Association of Colleges and Schools, Commission on Higher Education. In addition, New Jersey recognizes the other regional accrediting agencies with standards that are substantially similar to the standards utilized by the Middle States Association of Colleges and Schools, Commission on Higher Education.

10. COMMENT: One commenter recommends that the Board add the following sentence at the end of N.J.A.C. 13:29-1A.3(b)2i:

"Receipt of a graduate degree in accounting from such a program will be deemed as meeting New Jersey's 150 semester hour education requirement."

The commenter states that, currently, an applicant who has earned a graduate degree with a concentration in accounting from an accounting program that has accounting accreditation by AACSB International automatically satisfies the New Jersey requirements for obtaining a CPA license. Furthermore, the commenter objects to eliminating recognition of AACSB International accounting accreditation as it is inconsistent with the Uniform Accountancy Act, will reduce parity with New York State, and will discourage students with degrees from high quality out-of-State AACSB International accounting-accredited programs from seeking certification in New Jersey. The commenter believes that the proposed addition of specific semester-hour requirements would most likely lead to a number of challenges. The commenter further notes that, traditionally, a relatively large proportion of New Jersey's CPAs and CPA candidates have earned their accounting degrees in other states and under current rules in both New York and New Jersey, accepting AACSB International accounting accreditation simplifies their candidacy applications in both states. The commenter believes

that, by eliminating parity, the rule would discourage metropolitan-area candidates from the most competitive universities and colleges from seeking New Jersey certification. The commenter further states that for some graduate students studying accounting in New Jersey (who have not earned an undergraduate degree in business), the proposed regulation will make it more burdensome and expensive to qualify to become a CPA in New Jersey than to become certified in New York. In addition, the commenter believes that the proposed regulation is not consistent with the intent of Rule 5-2(c) of the Uniform Accountancy Act, which indicates that the Boards of Accountancy should rely on the level of accreditation, as defined in Rules 5-1(c), for the purposes of determining the acceptability of the degree and the amount of detailed review required for compliance with the accounting and business content. The commenter believes that the proposed regulation will eliminate a Board incentive for New Jersey accounting programs to obtain AACSB International accreditation, generally considered a marque of quality education in accounting.

RESPONSE: The Board believes that the education requirements to sit for the CPA examination and for licensure should be consistent for all candidates irrespective of the educational institution that conferred their degree. Accordingly, the Board declines to include the commenter's suggested language. In its notice of proposal, the Board did not make any changes to the types of accredited education institutions/programs that it recognizes and continues to recognize AACSB accreditation. However, upon further research, the Board has learned that AACSB underwent a name change and is no longer the American Assembly of Collegiate Schools of Business and instead is now known as AACSB International - The Association to Advance Collegiate Schools of Business. Upon adoption, the Board will make a technical change to N.J.A.C. 13:29-1A.3 to reflect AACSB's new name.

11. COMMENT: One commenter suggested that the Board should rely on the accreditation process when considering education requirements to qualify to take the CPA examination and for licensure. The commenter states "in essence, accreditation is the process in which certification of competency, authority, or credibility is provided. Rule 5-2(c)(1) of the Uniform Accountancy Act Model Rules 2014 notes this reliance." The commenter noted that New Jersey relies on the regional accrediting body, the Middle States Association, when granting universities and colleges permission to grant degrees. The commenter further noted that programs in business and accounting are accredited by several groups including the AACSB and the ACBSP. The commenter recommends amending N.J.A.C. 13:29-1A.3(b)1 to state the following:

"An applicant shall possess a baccalaureate degree, or its equivalent, based upon a curriculum that includes a minimum of 120 semester hours. Those with an accounting or equivalent degree from a program accredited by AACSB or ACBSP are presumed to have satisfied the requirements for the specific accounting and business-related credits. Applicants with degrees other than those noted above shall demonstrate completion of 24 credits in accounting excluding principles or introductory courses, and 24 credits in business-related courses in addition to the accounting credits. The 24 accounting credits should include course-work in financial accounting, management accounting, tax, and auditing."

The commenter believes that "business" should be broadened to "business-related" because some courses such as finance, business law, and economics may not be designated as "business" courses. The commenter also believes that, for consistency with Rule 5-2(d)(2) of the Uniform Accountancy Act Model Rules 2014, the Board should specifically exclude courses in principles of accounting or introductory courses from the required 24 semester hours credits in accounting. In addition, the commenter believes that the Board should

require the 24 semester hour credits in business-related courses to include coursework in financial accounting, management accounting, tax, and auditing to ensure candidates cover some significant topics in accounting.

RESPONSE: The Board declines to include the commenter's suggested language. The Board believes that all candidates for licensure should have a consistent education program consisting of at least 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses). In addition, the Board does not believe that applicants' course requirements should depend on the accreditation of the university or program from which the candidate received a degree. The Board amended N.J.A.C. 13:29-1A.3 to remove unnecessary complexity for applicants determining the education requirements to sit for the CPA examination and for licensure.

12. COMMENT: One commenter supports the Board's proposed change to count undergraduate and graduate credits as equivalent. The commenter notes that undergraduate and graduate semester hours are currently counted differently and the complications created by this are beyond the value obtained by an applicant.

RESPONSE: The Board thanks the commenter for its support.

13. COMMENT: Two commenters raised concerns about the Board's proposal to eliminate the provision that allows two credits in graduate coursework to be the equivalent to three credits in undergraduate coursework. One of these commenters noted that equating graduate credits as equivalent to undergraduate credits does not take into account the rigorous nature of graduate education. The commenter believes that students choosing to pursue more rigorous graduate studies should receive recognition for the additional time and effort that they dedicate to their coursework. In addition, the commenter believes that equating graduate and undergraduate coursework may encourage students to seek low-quality educational coursework that meets minimal standards but will not properly prepare them for their professional careers. The commenter recommends that the Board maintain the existing 3:2 ratio for computing semester hours and that the provision apply to both accounting and business courses. One commenter stated that it was informed by two educational institutions that the proposed elimination of the provision allowing two credits in graduate coursework to be the equivalent to three credits in undergraduate coursework would have a negative impact on their graduate business programs that students take to become CPAs.

[page=2383] RESPONSE: The amendments to N.J.A.C. 13:29-1A.3, including the elimination of the conversion ratio, were intended to remove unnecessary complexity for applicants determining the education requirements to sit for the CPA examination and for licensure. In addition, the Board believes that all candidates for licensure should have a consistent education program consisting of at least 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses).

14. COMMENT: One commenter supported the change to remove "level one," etc. because a definition of the levels was only found in obscure places.

RESPONSE: The Board thanks the commenter for its support.

15. COMMENT: One commenter suggested that the Board create a list of acceptable business courses (other than accounting courses) to avoid confusion about which courses count towards the business course requirements. The commenter noted that Rule 5-2(d)(4) of the Uniform Accountancy Act identifies types of courses that would be considered

business courses. The commenter recommended that the Board include this list in the final regulations in order to avoid confusion by applicants and transcript evaluators as to the type of course that are considered business courses.

RESPONSE: The Board does not believe it is necessary to promulgate rules to categorize the courses. The Board defers to the educational institutions to classify the courses they offer as either accounting or business courses.

16. COMMENT: One commenter objected to increasing from 15 to 24 the required number of accounting semester hours its MBA students must attain. The commenter believes that its MBA students already have substantial work experience before they enroll in the graduate business school program and requiring them to take three more courses will delay their graduation by a semester or two as the school does not offer many accounting elective courses at the graduate level. The commenter further noted that, although MBA students could take undergraduate accounting classes, it believes it unfair for MBA students to take undergraduate classes because they pay for a graduate tuition and deserve a graduate education. The commenter also noted that students at its school have a certain level of scores on the GMAT, a standardized graduate admission exam, and are technically and intellectually qualified to do professional work. As such, the commenter believes that 15 graduate credits are sufficient. In addition, the commenter notes that its MBA students have at least 120 undergraduate credits and they will amass about 170 credit hours when they earn their MBA degree and, therefore, requiring them to take nine more credits would result in the loss of good MBA students who otherwise are interested in the accounting profession.

RESPONSE: The Board believes that all candidates for licensure should have a consistent education program consisting of at least 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses). The Board further believes that it is unnecessary and confusing to specify different semester hour requirements for a particular type of graduate degree.

17. COMMENT: One commenter recommended that the Board add a grace period of two to three years for a transition to the new educational requirements, so that those students who started under the current education requirements are not harmed by a sudden switch. In addition, the commenter believes a grace period is needed for the schools, so that they have time to prepare new programs to comply with the changes. The commenter believes that colleges and universities need at least two years to make curriculum changes.

RESPONSE: The Board has determined to set July 1, 2017, as the operative date of the new educational requirements of N.J.A.C. 13:29-1A.3(b). The Board is delaying the operative date of these requirements in order to provide clear and fair notice of the implementation date of the new requirements, and which will afford educational institutions time to prepare for the changes.

18. COMMENT: Two commenters note that the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct, which went into effect on December 15, 2014, replaced the phrase "mind and appearance" with "fact and appearance."

RESPONSE: The Board disagrees with the commenters and confirms that the amendment to N.J.A.C. 13:29-3.1(b) is consistent with the current AICPA Code of Professional Conduct.

19. COMMENT: Three commenters suggest removing the reference to a specific effective date for the AICPA Code of Professional Conduct and instead to use the term "current." The commenters express concern that referencing a specific effective date will result in the

Board's regulations needing to be updated each time the AICPA updates its Code.

RESPONSE: The Board's proposed rule language, which includes "as amended and supplemented" addresses the commenters concerns; the Board's rules will not need to be updated each time the AICPA updates its Code.

20. COMMENT: Two commenters express support for the proposed change to N.J.A.C. 13:29-5.4 to specify June 30 as the annual deadline for requesting an exemption from participation in the Peer Review Program.

RESPONSE: The Board thanks the commenters for their support.

21. COMMENT: One commenter expresses support for the proposed change to N.J.A.C. 13:29-6.2(a), which requires licensees engaged in the practice of public accountancy to complete 24 credit hours in the areas of accounting or auditing, which may include review and compilation.

RESPONSE: The Board thanks the commenter for its support.

22. COMMENT: Three commenters object to the Board's proposal to eliminate the required minimum of 60 credit hours of continuing professional education (CPE) through didactic training. One of these commenters believes that the elimination threatens the integrity of the Board's CPE program requirements. The commenter notes that the Board had imposed a live training minimum to curb self-study abuses. The commenter further notes that many licensing jurisdictions continue to limit the number of self-study credits allowable. Another commenter states that the elimination does not support the goal of learning. The commenter notes that learning from a book is one of the least effective ways to learn and that interactive learning is the current learning style of future CPAs. One commenter further states that there are critical learning advantages to live training, including the nuanced and practical learning that comes from the interaction between teacher and students, and amongst students. This commenter believes that this interaction dynamic, which is pivotal to any successful education program, is absent in self-study. One commenter raises concerns that self-study invites many types of "fraudulent" activities (for example, a group of CPAs take a self-study course and share answers to the questions). Another commenter notes that there are many control weaknesses in self-study and credits can be earned without gaining commensurate knowledge. The commenters recognize that there are concerns with the costs associated with in-person continuing education programs. One of the commenters notes, however, that the widespread availability of webcast courses makes didactic instruction both available and inexpensive. Another commenter states that the purpose of maintaining professional competence and providing quality professional services is overshadowed by taking CPE based on what is convenient and/or cheap and not necessarily what will maintain professional competence. One of the commenters suggests that the Board wait to amend the credit-hour requirements for didactic instruction because the AICPA/National Association of State Boards of Accountancy (NASBA) CPE standards will be revised in 2015 and will include new standards to address evolving learning methods such as Nano, Blended, and Self-Directed Learning. The commenter also notes that an updated Uniform Accountancy Act 120 Credit Model Rule, which may provide suggested minimum/maximum credits, is expected. The commenter believes that it is vitally important for the Board to digest these new developments as they evolve before amending the rule and suggests maintaining the current live training requirements.

RESPONSE: The Board believes that the cost effectiveness and flexibility offered by self-study outweighs any overarching benefit of live training. The Board notes that, according to

the AICPA, there are 41 jurisdictions, including the neighboring states of New York and Connecticut, which do not have a limitation on the number of credit hours of continuing professional education that may be attained through self-study. In addition, the Board does not believe it is necessary to delay adoption of the rule amendments based upon expected future industry developments.

[page=2384] 23. COMMENT: One commenter supports the proposed amendment to N.J.A.C. 13:29-6.5(a)4 to reference the AICPA/NASBA Standard 14 of the Standards for Continuing Professional Education because consistency is desirable and because the standard is based on a solid educational approach.

RESPONSE: The Board thanks the commenter for its support.

24. COMMENT: One commenter states that the use of some prerecorded material should be allowed in CPE courses. The commenter further states that it can be used to create interactivity among learners in the class and enhance learning. The commenter also notes that video clips delivered via YouTube<TM> or other sources are widely used at every level of education to enhance the learning. The commenter suggests imposing a limit of less than 25 percent of the content time.

RESPONSE: The Board notes that the amendments to N.J.A.C. 13:29-6.2 and 6.5 allow for the use of prerecorded material in CPE courses. The amendment to N.J.A.C. 13:29-6.2 removed the definition of "didactic instruction," which excluded videotaped and audiotaped instructions. In addition, the amendment to N.J.A.C. 13:29-6.5(a)4 granting continuing education credit for correspondence programs and other individual study programs in accordance with the AICPA/NASBA Standard 14 of the Standards for Continuing Professional Education provides for consideration of audio and video segments. Consistent with the Board's determination to eliminate the cap on the required minimum number of credit hours of CPE that must be earned through didactic training, the Board does not believe it is necessary to impose a limit on the amount of prerecorded material that may be considered for content time.

25. COMMENT: One commenter suggests that the Board add a "CPE Mobility" provision to conform to the UAA and reduce the burden on CPAs who hold a license in another state, which is their principal place of business, and who also maintain a New Jersey license. The commenter notes that for CPAs who must maintain multiple licenses, it has increasingly become a challenge to maintain CPE compliance in jurisdictions where a license is maintained, but is not their primary place of business. In addition, the commenter notes that under the mobility statute enacted several years ago, CPAs without a license in New Jersey are allowed to practice here without having to fulfill New Jersey's specific CPE requirements, such as New Jersey's specific ethics course. The commenter also notes that as many as 18 jurisdictions have some form of CPE mobility.

RESPONSE: The Board thanks the commenter for its input. As the comment is beyond the scope of the rulemaking, the Board will not make any changes upon adoption, but will further review and consider the subject for a future rulemaking.

Federal Standards Statement

A Federal standards analysis is not required because the adopted amendments are governed by N.J.S.A. 45:2B-42 et seq. and are not subject to any Federal standards or requirements. Although the rules in N.J.A.C. 13:29 are not subject to any Federal requirements or standards, where deemed appropriate, the Board has incorporated Federal

standards. Specifically, N.J.A.C. 13:29-3.1 requires licensees to comply with independence standards established by the U.S. Securities and Exchange Commission, the Government Accountability Office and the Public Company Accounting Oversight Board (PCAOB), as applicable.

Full text of the adoption follows (additions to the proposal indicated in boldface with asterisks ***thus***; deletions from the proposal indicated in brackets with asterisks ***[thus]***):

SUBCHAPTER 1A. EXAMINATION AND LICENSURE

13:29-1A.3 Applications for examination; education and experience requirements

(a) (No change.)

(b) An applicant to take the Certified Public Accountant Examination shall satisfy the following educational requirements:

1. An applicant shall possess a baccalaureate degree, or its equivalent, based upon a curriculum that includes a minimum of 120 semester hours*[, including]* ***and the applicant has completed*** at least 24 semester hours in accounting and at least 24 semester hours in business courses (other than accounting courses)*[; or]**. **The 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses) may be completed outside of a degree program. The applicant shall possess a baccalaureate degree, or its equivalent from:**

i. A business school or college of business that has been granted accreditation by AACSB International - The Association to Advance Collegiate Schools of Business (AACSB), the Accreditation Council for Business Schools and Programs (ACBSP), or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB or the ACBSP; or

ii. An educational institution that has been granted accreditation from the Middle States Association of Colleges and Schools, Commission on Higher Education or any other regional accrediting agency with standards that are substantially similar to the standards utilized by the Middle States Association of Colleges and Schools, Commission on Higher Education; or*

2. An applicant shall have completed at least 150 hours of education, including a baccalaureate or higher degree*[, An applicant shall be deemed to have satisfied the educational requirement if, as part of the 150 semester-hours of education, the applicant has completed]**, **and*** at least 24 semester hours in accounting and at least 24 semester hours in business courses (other than accounting courses) *[and the]**. **The 24 semester hours in accounting and 24 semester hours in business courses (other than accounting courses) may be completed either as part of a degree program or outside of a degree program. The* applicant *[has satisfied]* ***shall satisfy*** any one of the following conditions:**

i. The applicant has earned a graduate degree with a concentration in accounting from an accounting program or department which has been granted accreditation by the *[American Assembly of Collegiate Schools of Business (AACSB), the Association of Collegiate Business Schools and Programs (ACBSP)]* *AACSB, ACBSP***, or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB**

or the ACBSP;

ii. The applicant has earned a graduate degree from a business school or college of business which has been granted accreditation by the AACSB, ACBSP, or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB or the ACBSP; *[or]*

iii. The applicant has earned a baccalaureate degree from a business school or college of business which has been granted accreditation by AACSB, ACBSP, or any other national accreditation agency with standards that are substantially similar to the standards utilized by the AACSB or the ACBSP;* or

iv. The applicant has earned a baccalaureate degree or higher from an educational institution that has been granted accreditation from the Middle States Association of Colleges and Schools, Commission on Higher Education or any other regional accrediting agency with standards that are substantially similar to the standards utilized by the Middle States Association of Colleges and Schools, Commission on Higher Education.

(c)-(f) (No change.)

SUBCHAPTER 3. RULES OF PROFESSIONAL CONDUCT

13:29-3.1 Independence

(a) (No change.)

(b) A person engaged in the practice of public accountancy, including a person who is not a member of the American Institute of Certified Public Accountants (AICPA), shall conform, in mind and appearance, to the independence standards established by the AICPA and the Board, and, where applicable, the U.S. Securities and Exchange Commission (SEC), the Government Accountability Office (GAO), the Public Company Accounting Oversight Board (PCAOB), and other national or international regulatory or professional standard setting bodies.

13:29-3.19 Code of Professional Conduct

All licensees shall comply with the Code of Professional Conduct of the American Institute of Certified Public Accountants (AICPA Code of Professional Conduct), incorporated herein by reference, effective December 15, 2014 (early implementation policy), as amended and [page=2385] supplemented. The AICPA Code of Professional Conduct may be found at the AICPA website, www.aicpa.org. The Board's rules of professional conduct shall prevail whenever any conflict exists between this chapter and the AICPA Code of Professional Conduct.

SUBCHAPTER 5. PEER REVIEW PROGRAM

13:29-5.3 Standards for peer reviews and sponsoring organizations

(a) The Board adopts the 2009 "Standards for Performing and Reporting on Peer Reviews," promulgated by the American Institute of Certified Public Accountants (AICPA), as its minimum standards for review of firms' non-SEC issuer practices. The Standards are incorporated in this subchapter by reference, as amended and supplemented, and may be found at the AICPA website, www.aicpa.org. For public company audit firms, the Board

adopts the firm inspection standards of the Public Company Accounting Oversight Board's (PCAOB) inspection process for reviewing SEC issuer practices, which are not included in the scope of peer review programs. The inspection standards are incorporated in this subchapter by reference, as amended and supplemented, and may be found at the PCAOB website, www.pcaob.org. A firm subject to the PCAOB's inspection process is also subject to a peer review of its non-SEC issuer practice, should the firm have such a practice.

(b) A complete list of qualified sponsoring organizations that are approved by the Board pursuant to N.J.A.C. 13:29-5.8 shall be posted on the Board's website at http://www.njconsumeraffairs.gov/accountancy/acct_licensee.htm.

13:29-5.4 Enrollment and participation; exemptions

(a) (No change.)

(b) A firm that does not perform services as set out in (a) above shall, no later than June 30 of each year, submit a request for an exemption from the Program in writing to the Board with an explanation of the services offered by the firm. A firm with an exemption that begins providing services set out in (a) above shall notify the Board of the change in status within 30 days and provide the Board with enrollment information within 12 months of the date the services were first provided. The firm shall have a review within 18 months of the date the services were first provided.

(c)-(h) (No change.)

13:29-5.8 Procedures for a sponsoring organization

(a) (No change.)

(b) To qualify as a sponsoring organization, an entity shall use standards which are the same or substantially similar to those set forth in N.J.A.C. 13:29-5.3(a).

SUBCHAPTER 6. CONTINUING PROFESSIONAL EDUCATION

13:29-6.2 Credit-hour requirements

(a) Each applicant for a triennial license renewal is required to complete, during the preceding triennial period, 120 hours of continuing professional education, except as provided in (c) through (f) below. All applicants shall complete a minimum of 20 hours of continuing professional education in each year of the triennial period. The types of continuing professional education programs and other sources of continuing professional education for which credit hours may be obtained are set forth in N.J.A.C. 13:29-6.5. The 120 hours of continuing professional education shall include at least 24 credit hours in the areas of accounting or auditing, which may include review and compilation, for licensees who are engaged in the practice of public accountancy. All applicants shall complete at least 72 credit hours of the required 120 credit hours in the technical subjects set forth in N.J.A.C. 13:29-6.3. All applicants shall complete four credit hours of the required 120 credit hours in the New Jersey law and ethics course set forth in N.J.A.C. 13:29-6.3A. The remaining 44 credit hours of the required 120 credit hours may include subjects specified in N.J.A.C. 13:29-6.4. No licensee shall receive credit for any course offered by a Board-approved continuing professional education sponsor in subjects other than those enumerated in N.J.A.C. 13:29-6.3, 6.3A, or 6.4.

(b)-(f) (No change.)

13:29-6.5 Continuing professional education programs and other sources of continuing professional education credit

(a) The following qualify as continuing professional education programs provided they contain the subjects enumerated in N.J.A.C. 13:29-6.3 and 6.4 and meet the continuing professional education program criteria requirements as set forth in N.J.A.C. 13:29-6.6 or 6.6A.

1.-3. (No change.)

4. Correspondence programs and other individual study programs: Continuing professional education credit shall be granted for correspondence programs and other individual study programs offered by sponsors who have been registered with the National Association of State Boards of Accountancy (NASBA). Credit shall be granted in accordance with Standard No. 14 of the American Institute of Certified Public Accountants/National Association of State Boards of Accountancy's (AICPA/NASBA's) Statement on Standards for Continuing Professional Education (CPE) Programs, effective January 1, 2012, as amended and supplemented, which is incorporated herein by reference. The Statement on Standards for Continuing Professional Education (CPE) Programs is located on NASBA's website, www.NASBA.org. Credit for correspondence and other individual study programs shall only be given in the renewal period in which the course is completed with a successful final examination.

5. Group Internet based programs: Continuing professional education credit for group Internet based programs shall be awarded as follows:

i. Group Internet based programs must employ learning methodologies that clearly define learning objectives, guide the participant through the learning process, and provide evidence of a participant's satisfactory completion of the program.

ii. Group Internet based programs must have a live instructor while the program is being presented. Program participants must be able to interact with the live instructor while the course is in progress and have the opportunity to ask questions and receive answers during the presentation.

iii. Once a group Internet based program is recorded or archived for future presentation, it will continue to be considered a group Internet based program only where a live subject matter expert facilitates the recorded presentation, and credit is given by the original sponsor of the program. Any future presentations that do not include a live subject matter expert will be considered a correspondence or individual study program which must meet all of the correspondence or individual study program requirements set forth in N.J.A.C. 13:29-6.5(a)4 above.

iv. Credit for a group Internet based program will be granted at the rate of one credit hour for every 50 minutes of the licensee's participation.

(b)-(c) (No change.)